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C O N F I D E N T I A L SECTION 01 OF 03 ISLAMABAD 006509

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SUBJECT: PAKISTAN: A CONVERSATION WITH BENAZIR BHUTTO

(U) CLASSIFIED BY JOHN R. SCHMIDT, POLITICAL COUNSELOR.
REASON 1.5(D).

11. (C) SUMMARY: WITH HER RIVAL NAWAZ SHARIF IN DEEP POLITICAL TROUBLE, FORMER PRIME MINISTER BENAZIR BHUTTO IS SEEKING TO RESHAPE HER IMAGE AND REVIVE HER OWN TATTERED POLITICAL FORTUNES. IN A WIDE-RANGING CONVERSATION WITH POLCOUNS ON AUGUST 27, SHE CONDEMNED THE GROWING INFLUENCE OF THE ISLAMIC RIGHT, ADVOCATED DRASTICALLY REDUCING THE SIZE OF GOVERNMENT, CALLED FOR THE END OF POLITICAL PATRONAGE IN THE CIVIL SERVICE AND EXPRESSED INTEREST IN PARTICIPATING IN AN ALL-PARTY CONSENSUS GOVERNMENT WHEN AND IF THE NAWAZ REGIME FALLS. WILLING ENOUGH TO ADMIT HER OWN MISTAKES, SHE SEEMED ANXIOUS TO PORTRAY HERSELF TO A U.S. AUDIENCE AS A MODERATE, SECULAR, PRO-WESTERN ALTERNATIVE TO THE CURRENT POLITICAL FORCES AT LARGE IN THE COUNTRY. END SUMMARY

12. QNGERS FROM THE RELIGIOUS RIGHT. ALTHOUGH NO FRIEND OF NAWAZ SHARIF, BENAZIR EXPRESSED DEEP CONCERN THAT THE POLITICAL WEAKNESS OF THE CURRENT GOVERNMENT, DESPITE ITS OVERWHELMING PARLIAMENTARY MAJORITY, WAS PLAYING INTO THE HANDS OF THE EXTREMIST ISLAMIC RELIGIOUS PARTIES, PREEMINENTLY THE JAMAAT-I-ISLAMI AND THE JAMAAT-ULEMA-I-ISLAMI. SHE FEARED THAT, IF THE SHARPLY DETERIORATING ECONOMY BEGAN TO BRING PEOPLE OUT INTO THE STREETS, THESE ELEMENTS WOULD MAKE COMMON CAUSE WITH SYMPATHETIC RETIRED GENERALS FROM THE ZIA ERA TO SPEARHEAD A FUNDAMENTALIST ISLAMIC TAKEOVER. SHE NOTED THAT THE NEWSPAPERS WERE FULL OF ARTICLES BY INFLUENTIAL FORMER GENERALS MAKING COMMON CAUSE WITH THE RELIGIOUS RIGHT. (COMMENT: WE DOUBT SHE REALLY BELIEVES THAT HEADLINE-GRABBERS SUCH AS FORMER COAS MIRZA ALSAM BEG AND FORMER DG/ISI HAMEED GUL ARE A THREAT.)

13. (C) ON THE ARMY. BENAZIR SAID SHE THOUGHT THERE WERE ALSO PLENTY OF ACTIVE DUTY MID-LEVEL ARMY OFFICERS SYMPATHETIC TO THE ISLAMIC FUNDAMENTALIST CAUSE. THE TOP ARMY LEADERSHIP, HOWEVER, REMAINED SOLID AND MODERATE. INDEED, SHE CONCEDED THAT ARMY INTERVENTION OF SOME SORT COULD BE THE ONLY WAY TO AVERT A FUNDAMENTALIST TAKEOVER IF THE NAWAZ GOVERNMENT BEGAN TO CRUMBLE. SHE THOUGHT THE ARMY COULD PLAY A POSITIVE ROLE BY SETTING UP A TECHNOCRATIC GOVERNMENT THAT WOULD INCLUDE REPRESENTATIVES FROM ALL MAJOR POLITICAL PARTIES, INCLUDING HER OWN PPP AND NAWAZ'S PML (WITHOUT NAWAZ, OF COURSE). BUT SHE WAS HIGHLY SKEPTICAL THAT THE ARMY COULD RULE EFFECTIVELY ON ITS OWN BASED ON ITS PAST PERFORMANCE.

14. (C) ON NAWAZ. BENAZIR MADE NO EFFORT TO HIDE HER DISLIKE OF NAWAZ SHARIF, WHOM SHE REGARDED AS BOTH WEAK AND NOT VERY BRIGHT. SHE APPEARED TO HARBOR AN EVEN GREATER DISLIKE FOR HIS BROTHER SHAHBAZ, WHO SHE CHARACTERIZED AS MORE INTELLIGENT, BUT ALSO MORE BRUTAL, RELATING A BRIEF ANECDOTE ABOUT HOW HE HAD ORDERED A HAPLESS BUREAUCRAT THROWN INTO A SEWER IN A MOMENT OF PERSONAL

PIQUE. INTERESTINGLY, SHE WAS INCLINED TO ATTRIBUTE NAWAZ'S GROWING FLIRTATION WITH ISLAMIZATION TO HIS OWN LIGHTS RATHER THAN SIMPLY TO POLITICAL OPPORTUNISM. SHE CONTENDED THAT NAWAZ'S FATHER HAD BEEN VERY CLOSE TO "TALIBANISH" (HER WORD) ULEMA (RELIGIOUS LEADERS) IN LAHORE AND HAD INCULCATED THESE SORTS OF VALUES IN THE YOUNG NAWAZ. SHE SAID THAT NAWAZ HAD DONE THE SAME TO HIS OWN SON, NOTING THAT THE YOUNGER SHARIF HAD REFUSED TO GIVE HIS AGE WHEN INTERVIEWED RECENTLY ON TELEVISION IN KEEPING WITH A CONSERVATIVE ISLAMIC SUPERSTITION.

15. (C) ON HER OWN MISTAKES. ASKED WHAT SHE WOULD DO DIFFQHAD IT TO DO ALL OVER AGAIN, BENAZIR SAID SQ WOULD ENDED THE PATRONAGE SYSTEM THAT LAID THE BASIS FOR THE WIDESPREAD PUBLIC PERCEPTION OF HER AS CORRUPT. SHE LAMENTED THAT THERE HAD DEVELOPED IN PAKISTAN A SYSTEM IN WHICH EACH INCOMING GOVERNMENT PACKED THE CIVIL SERVICE WITH ITS OWN CRONIES. THIS WAS A RECIPE FOR BOTH INCOMPETENCE AND CORRUPTION. SHE HAD BEEN AS GUILTY OF THE PRACTICE AS ANY OTHER GOVERNMENT LEADER BUT NO MORE SO. SHE NOTED THAT SHE HAD YET TO BE CONVICTED ON ANY CORRUPTION CHARGE DESPITE TWO YEARS OF GOVERNMENT DIGGING. NONETHELESS, THE PRACTICE OF PATRONAGE WAS DESTRUCTIVE OF GOOD GOVERNMENT AND NEEDED TO BE REPLACED BY AN INDEPENDENT, PROFESSIONAL CIVIL SERVICE. THIS WOULD BE A KEY ELEMENT OF HER POLICY WERE SHE EVER TO RETURNQT: DURING THIS EXCHANGE, SHE DID NOT MENTION HER HUSBAND, WHO WAS HER CHIEF BAG MAN AND PATRONAGE DISPENSER.)

16. (C) ON THE ECONOMIC FAILINGS OF THE CURRENT GOVERNMENT. HER CRITICISM OF GOVERNMENT ECONOMIC POLICIES WAS STANDARD FARE. SHE SAID THE EFFORT TO FORCE THE INDEPENDENT POWER PRODUCERS (IPPS) TO RENEGOTIATE THE CONTRACTS SIGNED BY HER REGIME HAD HAD A CHILLING EFFECT ON FOREIGN INVESTMENT. IT WAS ESSENTIAL FOR GOVERNMENTS TO HONOR THE AGREEMENTS REACHED BY THEIR PREDECESSORS EVEN IF THEY DID NOT LIKE THE TERMS. OTHERWISE, THE PREDICTABILITY AND CONFIDENCE SO ESSENTIAL TO ATTRACTING FOREIGN INVESTMENT WOULD BE LACKING. BENAZIR WAS ALSO HIGHLY CRITICAL OF THE GOVERNMENT DECISION TO FREEZE HARD CURRENCY ACCOUNTS IN THE WAKE OF ITS NUCLEAR TESTS. SHE BELIEVED THE GOVERNMENT HAD NO CLUE ABOUT HOW TO IMPROVE THE CURRENT ECONOMIC SITUATION SAVE FOR BEGGING FROM RICH ARAB NEIGHBORS AND THROWING ITSELF ON THE MERCY OF THE IMF.

17. (C) ON OTHER ASPECTS OF HER OWN PROGRAM. IN ADDITION TO PROFESSIONALIZING THE CIVIL SERVICE, BENAZIR SAID SHE STRONGLY FAVORED DOWNSIZING GOVERNMENT AT ALL LEVELS. GOVERNMENT-OWNED ENTERPRISES SHOULD BE SOLD OFF AND THE NUMBER OF GOVERNMENT MINISTRIES AND BUREAUCRATS SHARPLY REDUCED. THE MILITARY BUDGET WOULD ALSO NEED TO BE REDUCED. PAKISTAN COULD NOT PRETEND TO MATCH INDIA SOLDIER FOR SOLDIER AND MACHINE FOR MACHINE AND WOULD NEED TO TAILOR ITS FOREIGN POLICY TO ACCOUNT FOR THIS REALITY. AS FOR THE RELIGIOUS RIGHT, SHE SAID SHE FAVORED SHUTTING DOWN THE MADARASSA SCHOOLS THAT WERE CHURNING OUT SO MANY YOUNG FUNDAMENTALISTS. HER BASIC THEME, HOWEVER, WAS THAT THE BEST WAY TO COMBAT FUNDAMENTALISM WAS TO IMPROVE THE ECONOMY BY ENDING CORRUPTION, DOWNSIZING GOVERNMENT AND ATTRACTING FOREIGN INVESTMENT.

18. (C) ON RELATIONS WITH THE U.S. AND THE WEST. BENAZIR TOLD POLCOUNS SHE HAD SEEN PRESS REPORTS THAT THE GOVERNMENT HAD AGREED TO SIGN THE CTBT DURING THE SHAMSHAD-TALBOTT TALKS IN LONDON ON AUGUST 25. SHE HOPED THIS WAS TRUE, SINCE PAKISTAN COULD NOT AFFORD A NUCLEAR ARMS RACE WITH INDIA OR BAD RELATIONS WITH THE UNITED STATES. SHE SAID THAT ONE POSITIVE RESULT FLOWING FROM THE MAY NUCLEAR TESTS WAS ITS IMPACT ON THE U.S. THE TESTS HAD FORCED THE UNITED STATES TO PAY GREATER ATTENTION TO PAKISTAN. PAKISTAN NEEDED ACTIVE U.S. ENGAGEMENT AND SHE HOPED THE UNITED STATES WOULD CONTINUE TO PLAY AN ACTIVE ROLE IN THE REGION.

19. (C) ON THE TALIBAN AND BIN LADEN. BENAZIR SAID SHE HAD STRONGLY CONDEMNED THE EAST AFRICA BOMBINGS AND WAS STRONGLY OPPOSED TO TERRORISM OF ANY KIND. BUT SHE FELT THE U.S. SHOULD HAVE PURSUED USAMA BIN LADEN THROUGH THE UN PROCESS IN THE FIRST INSTANCE, PARTICULARLY SINCE THE AUGUST 20 CRUISE MISSILE STRIKES HAD ALIENATED PUBLIC OPINION THROUGHOUT THE ISLAMIC WORLD. SHE SAID SHE WAS NO FAN OF THE TALIBAN, WHOM SHE VIEWED AS AN EXTENSION OF THE RELIGIOUS RIGHT IN PAKISTAN. INDEED, SHE WAS FEARFUL THAT RETURNING TALIBAN MIGHT SERVE AS FOOT SOLDIERS FOR

RELIGIOUS EXTREMISTS IN A FUTURE CONFRONTATION WITH AUTHORITIES.

¶10. (C) ON WHAT IS GOING RIGHT IN PAKISTAN. DESPITE HER OPPOSITION TO THE CURRENT GOVERNMENT AND FEAR OF ISLAMIC FUNDAMENTALISM, BENAZIR SAID SHE BELIEVED THERE HAD BEEN MANY POSITIVE DEVELOPMENTS IN PAKISTAN IN THE TEN YEARS SINCE THE DEATH OF ZIA (AUGUST 17, 1988) AND RETURN OF DEMOCRACY. ALTHOUGH SHE HAD FELT ITS STING MORE THAN ANY OTHER PAKISTANI POLITICIAN, SHE WAS PROUD OF THE FACT THAT PAKISTAN HAD DEVELOPED A REMARKABLY FREE PRESS, WHICH SHE BELIEVED WAS AN ESSENTIAL UNDERPINNING OF GENUINE DEMOCRACY. SHE SAID SHE ALSO BELIEVED THAT THE JUDICIARY HAD ACHIEVED A LARGE MEASURE OF INDEPENDENCE, ALTHOUGH IT REMAINED UNDER CONSIDERABLE PRESSURE FROM POLITICAL AUTHORITIES. SHE ALSO THOUGHT THAT ORDINARY PAKISTANIS HAD BEGUN TO THINK FOR THEMSELVES AND TO QUESTION WHAT THEY WERE TOLD BY THE GOVERNMENT AND BY POLITICIANS RATHER THAN PASSIVELY ACCEPT SIMPLISTIC SLOGANS AS WAS PREVIOUSLY THE CASE.

¶11. (C) ON HER CURRENT POLITICAL SITUATION. BENAZIR SAID SHE THOUGHT THE WEAKNESS OF THE NAWAZ GOVERNMENT HAD IMPROVED HER OWN POLITICAL POSITION IN THE COUNTRY. SHE THOUGHT SHE WAS STRONG IN RURAL AREAS, BUT REMAINED WEAK IN URBAN PUNJAB. SHE RUED THE FACT THAT THE ELECTORAL WEAKNESS OF HER OWN PPP PARTY (REDUCED IN THE LAST ELECTION TO ITS SINDHI BASE) HAD FORCED HER TO MAKE COMMON CAUSE WITH SOME OF THE SMALLER, MORE EXTREMIST RELIGIOUS PARTIES UNDER THE PAKISTAN AWAMI ITIHAT (PAI) UMBRELLA. BUT SHE FELT THAT HER PARTY WAS NOT STRONG ENOUGH TO CARRY THE BURDEN OF OPPOSITION ON ITS OWN. MORE RECENTLY, SHE HAD ALSO BEGUN REACHING OUT TO SOME OF THE NATIONALIST REGIONAL PARTIES, SUCH AS THE NORTHWEST FRONTIER PROVINCE-BASED ANP. HOWEVER, WHEN ASKED HOW SHE COULD MANEUVER FROM WHERE SHE WAS NOW BACK INTO A POSITION OF POWER HER ONLY COMMENT WAS A RUEFUL "THAT IS THE 64 DOLLAR QUESTION."

¶12. (C) COMMENT. BENAZIR WAS RELAXED AND TALKATIVE DURING A CONVERSATION THAT STRETCHED ON FOR NINETY MINUTES. HER COMMENTS WERE CLEARLY CALCULATED TO GO DOWN WELL WITH AN AMERICAN AUDIENCE AND SHE CLEARLY SEEMS TO BE POSITIONING HERSELF AS A MODERATE, SECULAR, MORE WESTERN-ORIENTED ALTERNATIVE TO THE CURRENT GOVERNMENT AND ITS EVEN MORE FUNDAMENTALIST FOES. SHE HAS RECENTLY TURNED FOR ADVICE TO A MODERATE FORMER MILITARY OFFICER, RETIRED GENERAL TALAT MASOOD, WHO IS NOTED FOR PROMOTING THE NEED FOR DEMOCRATIC INSTITUTION-BUILDING IN PAKISTAN. AS FOR WHETHER BENAZIR BELIEVES WHAT SHE IS SAYING, THAT IS HARD TO SAY. HER BEST CHANCE OF ONE DAY RETURNING TO POWER IS ALMOST CERTAINLY AS PART OF A COALITION RATHER THAN ON HER OWN. THAT MIGHT NOT BE A BAD THING, GIVEN THAT, LEFT STRICTLY TO HER OWN DEVICES, SHE WOULD REMAIN BEHOLDEN TO THE LANDLORDS OF HER FEUDAL SINDH BASE, AND THESE ARE NOT THE SORT OF PEOPLE INTERESTED IN ENDING PATRONAGE AND PROMOTING INSTITUTIONAL DEMOCRATIC REFORMS. END COMMENT.

MILAM